GOVERNMENT OF INDIA
SMALL SCALE INDUSTRIES
LOK SABHA

UNSTARRED QUESTION NO:1047
ANSWERED ON:28.11.2006
GUIDELINES FOR SICK SMALL SCALE INDUSTRIES
Badiga Shri Ramakrishna;Bose Shri Subrata

Will the Minister of SMALL SCALE INDUSTRIES be pleased to state:

(a): whether RBI issued comprehensive guidelines in 2002 on early detection of sickness in SSI and taking remedial measures for rehabilitation of sick Small Scale Industries (SSIs) units so identified are viable;

(b): whether a fresh set of guidelines have again been issued by the RBI in 2005, for revival of SSIs in the country;

(c): if so, the reasons and the difference between 2002 guidelines and 2005 guidelines;

(d): the number of SSI units in each State, State-wise;

(e): the number of SSIs units which are sick and on the brink of closure, State-wise;

(f): the details of SSIs that have been provided with financial assistance, debt restructuring, fresh loans, etc., for rehabilitation State-wise, particularly in the State of Andhra Pradesh as per the 2002 guidelines and the units that got benefits under 2005 guidelines so far;

(g): the number of small scale industries established so far and closed in the country during the last one year and till date, particularly in West Bengal and North Eastern States, State-wise, small scale industry-wise;

(h): the reasons for closing down of small scale industries;

(i): whether some small scale units have been closed due to relaxation in import from foreign countries, specially from China, Taiwan, Korea, Japan etc.; and

(j): if so, the details of measures being taken or proposed to be taken by Government to revive them by removing the difficulties being faced by SSIs?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF SMALL SCALE INDUSTRIES & AGRO AND RURAL INDUSTRIES (SHRI MAHABIR PRASAD)

(a)&(b): Yes, Sir.

(c): The 2002 guidelines on rehabilitation of sick small scale industries (SSIs) include, inter alia, a change in the definition of sick SSI units, norms for deciding on the viability of sick units and concessional finance. The 2005 guidelines are on debt restructuring mechanism for small and medium enterprises (SMEs) and include viability criteria, prudential norms for restructured accounts, provision of additional finance and time frame for working out the restructuring package and its implementation.

(d): The State-wise estimated number of SSI units (both registered and unregistered) at the end of March 2006, based on the Third All India Census of the SSIs with reference year 2001-02, is enclosed At Annexure I.

(e)&(f): As per the latest data compiled by RBI from the scheduled commercial banks, the State-wise number of sick SSI units and viable sick SSI units put under nursing (as per 2002 guidelines) at the end of March 2005 is enclosed at Annexure II. Under debt restructuring mechanism (as per 2005 guidelines), 594 SMEs have been covered till 31 March 2006.

(g): The State-wise estimated number of SSI units is enclosed at Annexure I. Information on SSIs closed due to sickness is not maintained centrally. According to the Third All-India Census of the SSIs, 8,87,427 registered units were found closed out of the total of 22,62,401 units registered upto 31 March 2001. The State- wise distribution of these closed units is given at Annexure III.

(h): Some of the main reasons identified for closure of the SSI units include fall in demand for the products of SSI units, use of outdated technology, difficulty in availability of working capital and raw materials, undue delays in receiving payments, constraints in electricity supply and other infrastructure and management inadequacies.

(i)&(j): In the wake of trade liberalization, the Government has put in place several measures to help SSIs become globally

competitive. These include special focus on technology upgradation, infrastructure assistance through the cluster approach, more timely availability of credit, adoption of modern management practices, use of electronic infrastructure and other information technology (IT) applications, marketing and timely information dissemination to help the SSIs face the emerging challenges of liberalization. Besides, protection is available in the form of raising customs duties up to the bound levels, imposing anti-dumping duties, taking safeguard measures in case of surge in imports, etc. Further, the Government has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 to facilitate the promotion and development of MSMEs and enhancement of their competitiveness. The Act has come into affect from 2 October, 2006.